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Report on State Measure No. 1: Water Development Loan Fund Created; Report on State Measure No. 2: Development of Nonnuclear Energy Resources

City Club of Portland (Portland, Or.)

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**REPORT ON
STATE MEASURE NO. 1**

WATER DEVELOPMENT LOAN FUND CREATED

Purpose: Proposed constitutional amendment permits state bonded indebtedness, limited to 1½ percent true cash value of property in the state, to create Water Development Fund. Fund would finance loans for irrigation and drainage projects and water development projects. Secured repayment required. Bonds to be repaid by loan repayments or if repayments inadequate by ad valorem tax levied on all taxable property, or by supplementary or replacement revenue provided by legislature. Enabling legislation required.

To the Board of Governors,
The City Club of Portland:

I. INTRODUCTION

State Measure No. 1 is a proposed constitutional amendment providing a new article to the constitution, Article XI-I. The Oregon state constitution prohibits state borrowing which will singly or in the aggregate with previous liabilities exceed \$50,000, with certain limited exceptions (Art XI, Sec 7). Consequently, before the state can issue bonds, except for the limited purposes, a constitutional amendment is necessary. In the past, such amendments have been passed for various purposes; and the constitution now permits state bonds for 1) veterans' home and farm loans (Art XI-A); 2) state power development (Art XI-D); 3) state reforestation (Art XI-E); 4) higher education building projects (Art XI-F-(1)); 5) veterans' bonuses (Art XI-F-(2)); 6) community colleges (Art XI-G); and 7) pollution control (Art XI-H).

The amendment (SJR 1) would create a fund known as the Water Development Fund in an amount not to exceed 1½ percent (currently approximately \$658,000,000) of the true cash value of all the property in the State. The fund would be used to provide financing for construction of water development projects for irrigation and drainage and would be implemented through Senate Bill 12.

II. HISTORY AND SCOPE

The current measure is substantially similar to measures presented in 1972 and 1974; the data presented to the City Club regarding the prior measures were reviewed.

Eligibility for Funds: The implementing legislation (Senate Bill 12) to SJR 1 provides for primary and secondary uses related to water development projects. A water development project includes irrigation, storage, well systems, pumping plants, and other structures and facilities related to irrigation purposes as well as drainage, ditching and other agronomically approved methods of land drainage. Secondary uses include water-related recreational use, wildlife and natural resource conservation use, municipal and industrial water use, and water quality enhancement related to the development of a new water development project, flood control, and power generation use.

Only a water developer may file an application with the Water Resources Board under the implementing legislation. A water developer includes any individual resident of the State or any partnership, corporation, non-profit corporation or co-operative as defined by the relevant Oregon Revised Statutes whose principal income is derived from farming in the State of Oregon. Irrigation districts, water improvement districts, water control districts, irrigation or drainage corporations, drainage districts, port or other associations formed prior to 1917 for the purpose of distributing water for irrigation purposes and any city or county of the State are also included.

The contents of the application for funding will be left to the discretion of the Director of the Water Resources Division. However, it is statutorily mandated that the appli-

cation must include: 1) the nature and purpose of the proposed water development project, 2) whether any purposes other than irrigation or drainage will be served by the project, and what those purposes might be, 3) a feasibility study for the construction, operation, and maintenance of the project, 4) estimated cost of construction, 5) an evaluation of the agricultural potential of the land from a competent public agency, 6) additional funds which might be proposed for the water development project, 7) whether any other monies are available or have been sought for the construction, and 8) whether the applicant holds or can acquire all lands necessary for the project.

The review of the application is at the sole discretion of the Director of the Water Resources Board, after 1) determining the risk factors from an economic standpoint, 2) the agricultural potential, 3) the plans for the project, 4) the multipurpose facilities which will be provided to the extent practical, 5) the repayment ability of the applicant, 6) the availability of funds from the Water Development Fund, 7) the need for the project, 8) the applicable criteria for refinancing of a project, and 9) the first lien priority for the Water Development Fund.

The Director must, however, encourage the largest number of users of the Water Development Fund and give first priority to the family farm units in the State of Oregon. The Director is further responsible for carrying out the contract and lien requirement arrangements for construction, operation, and maintenance of the project and a satisfactory plan for repayment. Upon the granting of a loan to a water developer, the State attaches an automatic first lien to the real property which is irrigated, drained, or otherwise altered by reason of the project. The lien creates a superior position to all other encumbrances upon the real property excepting only real estate tax liens.

An additional amount of money, not to exceed \$5 million, may be loaned by the Director from the Water Development Fund for the purpose of securing easements and rights of way for federal water development projects. This amount is limited to the market value of the property to be acquired as determined by appraisers appointed by the Director.

State Bonding: The Water Development Fund will be created by selling state general obligation bonds up to 1½ percent of the true cash value of all taxable property in the State. The State Treasurer advises that passage of SJR 1 would have minimal effect upon the bond rating of the State of Oregon and would not endanger that rating.

III. BACKGROUND DATA

In addition to 1,890,000 acres in the State under irrigation, there are approximately 500,000 acres of land in Eastern Oregon and approximately one million acres in the Willamette Valley which could be irrigated. Less than 300,000 acres are irrigated through federally-funded sources, thus most of the irrigation in the State is privately funded.

IV. ARGUMENTS IN FAVOR OF THE MEASURE

1. The legislative intent of the measure gives absolute priority in making loans to the small Oregon farmer and the small Oregon farm corporation and thus will serve to maintain family farm ownership.

2. SJR 1 is a sound approach to the development of water resources. It will permit the use of Oregon's water resources in Oregon and thus establish use needs for Oregonians.

3. The measure is essential to the continued expansion of one of Oregon's major growth industries, agriculture. It will provide increased production of farm goods, increased state income through income taxes and rising property values and new jobs in farming areas.

4. The intent of the Water Resources Division is to administer the loan program similarly to that of the Veterans Housing program which has been especially successful financially. The likelihood of the use of general revenues or statewide taxation is virtually nil.

5. This measure is needed because it is difficult to obtain loans from private lending institutions for long term projects such as those embodied in this legislation. Moreover, federal funds generated through the Bureau of Reclamation are generally unavailable to Oregon residents for such projects.

6. The legislation makes possible multiple use and recycling of Oregon's water resources by encouraging irrigation, storage and drainage.

7. The measure is not directed solely to Eastern Oregon agricultural lands since the Willamette Valley has a great need for irrigation, drainage and storage projects; thus the measure will benefit the entire state.

8. The measure will result in secondary benefits to recreation, municipal and industrial flood control, power generation and water quality enhancement.

V. ARGUMENTS AGAINST THE MEASURE

1. The implementing legislation (SB 12) provides discretionary authority to the Water Resources Director without sufficient checks and balances in the decision-making process.

2. Lending institutions which have a first mortgage on real property under consideration for a water development project are reluctant to subordinate to the State any interest they may have in the real estate in question.

3. The program constitutes a subsidy to the water developer by providing loans at an interest rate less than he would be eligible for under a conventional loan.

4. As a matter of sound public finance the state should not lend its credit to individuals or corporations for the conduct of their businesses. Such enterprises should be financed in the marketplace through private credit institutions.

5. Although the risks of default on the loans are relatively small, in the event of mass bankruptcy and foreclosures as a result of prolonged drought or other natural disasters, or the disruption of the market for agricultural products, the Fund may be unable to meet interest and principal charges. In that case the taxpayers of Oregon would be required to assume these obligations.

6. The determination of what is an Oregon corporation and what is the subsidiary of a large corporation incorporated in Oregon is an administrative decision which will be difficult to sustain and is likely to result in costly and lengthy litigation for the state.

7. Wise planning for the use of water in the State requires a complete inventory of water resources. The inventory should include all water-related information including ground and surface water sources, viable water rights, current use and projected future need. The measure encourages further commitment of Oregon's water resources without the existence of the complete inventory which wise planning requires.

V. DISCUSSION

Your Committee believes that defects contributing to the failure of the 1972 and 1974 legislation have been corrected in the present State Measure No. 1 in that:

1) loopholes have been closed that could have allowed large corporate farms to qualify for water development project loans. Your Committee is satisfied that small, family-owned farms in Oregon will be protected under this measure;

2) although private lending institutions may be reluctant to assume second-lien status on these projects, state law requires them to subordinate their interest and their representatives have indicated a willingness to do so for these projects; and

3) tighter requirements for loan eligibility and acceptance will reduce the risk of default. Moreover, legislative guidelines, mandated requirements, administrative rules and other existing state law will limit the actual discretion of the Water Resources Director in granting loans and will minimize chances for abuse of the program.

Ideally, water resource development should proceed under a statewide plan which includes all possible information. A total inventory of water resources in Oregon would be desirable, but as a practical matter such an inventory would take years to develop.

In reality, the numerous unrelated watersheds and resources in Oregon can be developed separately and that development will add to a statewide inventory.

Your Committee believes the survival and growth of Oregon's agricultural economy is a legitimate interest of the State of Oregon and that State Measure No. 1 is a constructive step toward achieving that goal. The economy of the state will be enhanced in a number of ways by enabling Oregon's independent farmers and ranchers to make their land more productive. Profits from increased production will help to forestall the negative economic impact of prolonged drought. At present, funding from private lending institutions for irrigation projects is generally unavailable to the small farmer or rancher because of the extended period of time required for repayment of the loan.

The legislation directs high priority to multiple use projects and encourages the largest number of users. It will encourage storage and drainage uses which will result in the conservation of water. The program will also establish water and land uses that will help to protect Oregon's claim to regional water resources.

VI. CONCLUSION AND RECOMMENDATION

Passage of State Measure No. 1 will be of substantial benefit to the people and the economy of Oregon. Your Committee recommends the City Club of Portland support a "YES" vote at the November 8, 1977 special election.

Respectfully submitted,
Richard Brown
Anne D. Cathcart
Jean G. Frost
Gaulda L. Hahn
William T. C. Stevens
William R. Sweetman, M.D.
Diane W. Spies, *Chairman*

Reviewed by the Research Board and the Board of Governors on October 13, 1977. Approved for publication and distribution to the membership for consideration and action on November 4, 1977.

APPENDIX A**PERSONS INTERVIEWED**

Bob Davis, Public Affairs Counsel, 530 Center Street N.E., Salem
Bill Dawkins, Representative for Oregonians for Water Conservation and Development
Clay Myers, State Treasurer
Jim Sexson, Director, Water Resources Department
Victor Atiyeh, Senator, Chairman of Committee on Trade and Economic Development
Scott Clements, Senior Vice President for Public Finance, Bond Investment Division,
First National Bank, Portland
Janet McLennan, Natural Resources Consultant, Office of the Governor
Henry Richmond, Attorney, 1000 Friends of Oregon, 407 Dekum Building,
519 S.W. 3rd Avenue, Portland, Oregon
Barbara Lucas, League of Women Voters of Oregon

APPENDIX B**RESOURCE DOCUMENTS REVIEWED**

Enrolled, SJR 1 and Senate Bill 12, 1977 Regular Session.
Irrigation Loan Program SJR 1 and SB 12 Questions and Answers,
Water Resources Department, August, 1977.
Oregon's Project Water: A Factual Summary, Oregonians for Water Conservation
and Development, August 26, 1977.
Oregon Agriculture: Pertinent Facts, Extension Division, Oregon State University.
Oregon Agriculture 1976, An Economic Profile, Agricultural Development Division,
Oregon Department of Agriculture.
Legislative Minutes, Senate Committee on Trade and Economic Development. 1977 Session.
Legislative Minutes, Special House Committee on Water Resource Problems.
City Club Report on Irrigation and Water Development Bonds (State Measure No. 5),
May 12, 1972.
City Club Report on Irrigation, Water Development and Community Water Supply Bonds
(State Measure No. 4, SJR 38), May 17, 1974.
Oregon's Water Resource: A Summary of Available Information, Water Resources
Research Institute, Oregon State University, March 31-April 2, 1977.
Water for Oregon's Future, The Institute for Policy Studies, March 31-April 2, 1977
Water Under Pressure, Water Resources Research Institute, Oregon State University
and Bureau of Governmental Research and Service, University of Oregon.
Water Use Issues and Decisions for Oregon, Bureau of Governmental Research and Service,
March 31-April 2, 1977.

REPORT ON
STATE MEASURE NO. 2
DEVELOPMENT OF NONNUCLEAR NATURAL ENERGY
RESOURCES

Purpose: Repeals Oregon Constitution Article XI-D, Section 3. Creates constitutional provision requiring legislature to provide for management, conservation and development of nonnuclear natural energy resources. Authorizes state funding for public, private utilities or agencies for development or conservation thereof. Utilities and agencies operating in Oregon have priority in funds allocated and energy developed. Authorizes state debt and bonding not exceeding one percent true cash value of all taxable property in state to fund these provisions.

To the Board of Governors
The City Club of Portland:

I. INTRODUCTION

Your Committee was appointed to study and report on State Ballot Measure No. 2 which would amend Article XI-D of the Oregon Constitution. The proposed amendment was referred to the voters by Senate Joint Resolution 32 of the 1977 Legislature. If enacted, the proposed amendment (the "Amendment") will put into effect the Oregon Energy Conservation and Production Act of 1977 (Chapter 732, Or. Laws 1977) (the "Act").

Because the Amendment and the Act are intertwined, your committee considered it appropriate to consider and report on both.

A. THE AMENDMENT

Ballot Measure No. 2 would amend Article XI-D of the constitution in the following major respects:

1. To specifically empower the legislature to provide by law for the management, development and conservation of all natural energy resources which are nonnuclear in nature. The present Article XI-D deals with the State's right to control and develop water power.

2. To eliminate the requirement that the administration of any laws enacted to carry out the State's right to control the development of water power shall be by an elected three-member non-partisan commission.

3. To empower the State to borrow up to one percent of the true cash value of all taxable property in the state to provide funds with which to carry out the purposes of Article XI-D as amended.

4. To empower the State to loan State funds to public or private utilities or agencies for the development or conservation of natural energy resources.

5. To require the State to give priority in the distribution of funds allocated and energy developed to Oregon's public and private utilities or agencies in proportion to the share of Oregon's energy demands each such utility or agency supplies at the time of the enactment of the Amendment.

B. THE ACT

Major provisions of the Act follow:

1. The Act requires the Governor to designate from time to time energy resources that may be developed within Oregon for the generation of electric energy by utilities and for the production of nonelectrical energy by utilities and others. Among the criteria

for the designation of these projects are that electrical energy projects be cost effective and that the Governor shall endeavor to designate projects which are small scale, close to the point of use, environmentally "clean" and (where possible) involve cogeneration projects to be undertaken in cooperation with industry. Non-electrical energy projects emphasized in the Act include utilization of geothermal resources for space heating and projects not in commercial use, particularly conversion of agricultural and other wastes into useable fuels.

2. Utilities, individually or in conjunction with any other person or entity, are invited to apply for loans to undertake electrical energy projects designated by the Governor. Any person or other entity or utility is invited to apply for loans to finance designated non-electrical projects.

3. The Director of the Department of Energy is authorized to approve loan applications which would assist in the generation of electric energy or the production of non-electric energy and which would be in the public interest. Terms of loans are to be tied into the repayment period of the bonds from which the loaned funds are derived. Administration costs are to be covered by requiring that the interest rate of a loan exceed the interest rate on the bonds funding that loan by at least one-half of one percent.

4. The Director shall endeavor to loan to each utility a percentage of the total funds that become available for electrical projects equal to the percentage of electric energy supplied by the utility to customers in Oregon on the date of such loan.

5. Funds which have not been applied for and which remain available for application on November 9, 1979 may be used by the Director as directed by the Governor for the acquisition of sites, the development of electrical energy resources and the sale of electrical energy within the state. The development of resources may be done by the State alone or in conjunction with any utility or the federal government. The Director shall fix rates and charges for the sale of electric energy so produced and shall offer for sale to each utility a percentage of the total electric energy so produced which is equal to the percentage of electric energy supplied by the utility to Oregon customers on the date of the sale.

6. Within the limits set by Article XI-D of the constitution, the Director shall issue and sell general obligation bonds as necessary to fund all of the foregoing and to refund earlier such bonds. Bond proceeds are to be credited to an "Energy Conservation and Production Fund" created by the Act until committed and loaned for particular projects. Pending the use of such proceeds, they shall be invested by the State Treasurer in the manner provided by law. The bonds are to be repaid from revenues to the State from the projects financed under the Act and to the extent necessary, from ad valorem taxes or moneys provided by the Legislature in lieu of such taxes. The Energy Conservation and Production Fund is to be a permanent fund of all Article XI-D bond proceeds and repayment and replenishment proceeds. Moneys in the Fund are continuously appropriated to the Director and the State Treasurer for the purposes of the Act.

The full extent of Article XI-D of the constitution and the proposed Amendment to it and selected sections of the Act are set forth in appendices to this Report. Deleted from the appendix are detailed provisions of the Act dealing with the description and sale of bonds authorized by the Act.

II. BACKGROUND

Article XI-D of the Oregon constitution, adopted by the voters in 1932 and amended in 1961, authorizes the State to control and/or develop the water power within the State and to control and distribute electric energy. Debt may be incurred to finance the exercise of these powers to the extent of one and one-half percent of the true cash value of all the property in the State. Any board or commission created or empowered to administer laws enacted to carry out the purposes of the Article is required to consist of three members to be elected in a non-partisan election. None of the provisions of Article XI-D has ever been implemented by legislation and there is no debt outstanding under this Article.

The underlying purpose of the proposed Amendment and of the Act is to broaden the reach of Article XI-D in order to encourage, through the availability of low interest rate loans primarily to utilities, the development of *all* the State's energy resources including (without limitation, except for nuclear) industrial, agricultural and solid waste, geothermal, hydroelectric, coal, solar, wave, tidal and wind resources. The requirement of a three-member, non-partisan elected commission was seen by the drafters as an anachronism that may have stood in the way of implementing legislation in the past. The grandfather clause giving priority to existing utilities in accordance with their present share of Oregon's energy market was deemed by the drafters of the Amendment as politically necessary for passage by the Legislature.

An objective of the sponsors of this legislation is to cause, within the next two years, all of the following to occur:

1. the Governor to designate appropriate energy projects for development;
2. bonds to be sold to the limit authorized by the Amendment, presently about \$430 million;
3. bond proceeds to be loaned as contemplated by the Act.

III. ARGUMENTS FOR THE AMENDMENT AND THE ACT

1. This legislation will provide an effective means for Oregon to become more energy self-reliant by encouraging utilization of all the State's energy resources, including: (a) "clean" energy resources, the effectiveness of which is unproved, (b) energy resources (such as geothermal and solar) which will not be used for the generation of electricity, and (c) the further development of existing energy resources such as water power.

2. Utilization of the State's ability to borrow and re-loan money at low interest rates will enable private and public utilities and agencies to meet these objectives at a substantially lower risk and cost than if all funding had to be privately obtained.

3. The Act departs from reliance upon massive projects such as hydroelectric and nuclear power by encouraging small scale projects close to the point of use and by encouraging cogeneration projects by utilities in cooperation with industry to utilize industrial waste products.

4. Bonds generated by the State's borrowing under the Act are expected to be self-liquidating by the requirement that the reloaning of funds to utilities, etc., will be at a slightly higher interest rate and will require repayment from revenues generated by the project financed.

5. By passing along the benefits of low interest financing to consumers, utilities will be able to keep rates substantially below the rates that would apply if future energy projects were privately financed.

6. The spur to new projects provided by programs developed under the Act will create jobs and otherwise improve the economy of the State.

7. Deletion of the requirement for a three-member elected non-partisan commission to administer the State's role in the development of energy will achieve the following objectives:

a) Assist the Governor in achieving his goal of unifying the State's approach to the utilization of its energy resources.

b) Avoid the risk of private interests unduly influencing elections to such a commission.

c) Remove a cloud on the legislation for the Domestic and Rural Power Authority. This legislation (Chapter 888, Or. Laws, 1977) calls for administration by a director appointed by the Governor. In the opinion of the Attorney General, this provision is in violation of Article XI-D, Section 3 of the Oregon constitution.

IV. ARGUMENTS AGAINST THE AMENDMENT AND THE ACT

1. The Amendment further undermines the prohibition of Article XI, Sections 7 and 8 of the Oregon constitution against the State lending its credit to private entities. This is undesirable for the following reasons:

a) The State will become both a substantial creditor and the regulator of private utilities. This will place the State's interest in protecting its creditor position in conflict with the duty of the State to keep rates low for the benefit of consumers.

b) The desire of a utility to undertake a project initiated under the Act may be motivated by objectives in addition to or other than the profitable utilization of an energy resource. These objectives could include the desire to expand a utility's rate base by capital expenditures and operating expenses necessary to build and maintain a project solicited by the Governor and thus defensible even if unsound.

2. The objective of the Act to cause loans totalling about \$430 million in the next two years in order to develop "new" energy resources will lead to improvident loans for impractical projects. Research programs are underway which will lead to the practical utilization of diverse energy resources, but the necessary information will not be developed within the next two years.

3. The "priority" clause of this Amendment is undesirable because it:

a) Helps preserve the status quo of suppliers of the present energy market without regard to the future competitive merit of the present participants in that market.

b) Will lead to substantial loans of State money to utilities with a large share of the market but which may present a bad financial risk.

c) Will require allocation of projects to utilities which are committed to other energy resources and which thus may have little motivation for the success of such projects.

d) Discourages growth of public utility districts, municipal utility suppliers and other alternatives to private utilities.

e) Discourages imaginative proposals from "outsiders" for utilization of energy resources since preference in the allocation of a project must be given to existing utilities; particularly the few large private utilities.

4. The Amendment amends only Section 3 of Article XI-D. Remaining in Section 2(8) of Article XI-D will be funding authority for one and one-half percent of the true cash value of all taxable property in the State. It is unclear whether this prior, greater, funding authority is superseded for all purposes, remains as available to fund the development of water power as originally intended, or is available in addition to the new funding authority for all the purposes of Article XI-D as amended.

5. The Act has the following examples of careless draftsmanship which lead to serious questions about its effectiveness:

a) The Act requires the Director to endeavor to loan each utility a percentage of the total funds available for designated projects equal to the percentage of electric energy supplied by that utility to Oregon customers *on the date of the loan*. This is contrary to the proposed constitutional amendment which requires priorities for State funds to be set *on the date of enactment of the Amendment*. This may cause the Act to be unconstitutional and thus ineffective.

b) The Act permits loans to any person or other entity for non-electrical energy projects. This appears to be contrary to the Amendment which permits loans only to "public or private utilities or agencies."¹

c) The Act permits the State to undertake directly the development of electrical energy to the extent of funds which have not been applied for *and* which remain available for application two years after the effective date of the Act. It is unclear whether an application for funds by a utility, even if rejected, will nevertheless block the State from using those funds itself.

¹Although the word "agencies" is undefined, it would likely be held to mean "governmental agency," the meaning ascribed in ORS 469.020 establishing the State Department of Energy.

d) There is inadequate direction in the Act to the Department of Energy on how to allocate funds and energy among 36 or more utilities applying for participation in a laundry list of projects proposed by the Governor.

6. If as the Act contemplates, bonds are sold to finance projects not designated in a particular bond issue and the proceeds are then loaned to private industry, the bonds run a substantial risk of being classified as non tax exempt Industrial Development Bonds. Even if bonds were sold to finance particular projects designated in the bond issue, there is a risk that certain types of projects contemplated by the Act would not qualify under any existing exemptions from this adverse tax consequence.

7. It is an invitation for political abuse to give the Governor's office (now and in the future) complete discretion over the designation of energy projects and vague standards for the allocation of funds to finance the same. This undermines the purpose of constitution Article XI-D as now written to avoid politics by placing jurisdiction over the State's development of power in a non-partisan elected commission.

8. It is economically unsound to give the Director of the Department of Energy (acting under the Governor) apparently complete discretion over determining how much money (within the constitutional limitation) to raise in a bond issue, the approval of loan applications, and whether or not to require adequate security for any particular loan.

9. It is environmentally objectionable to include coal, a non-renewable resource, among the energy resources to be exploited under the Act.

10. Although the Amendment calls for the legislature to provide for conservation and management of natural energy resources, (as well as development), the Act is concerned solely with development of energy resources. There is nothing in the Act designed to induce people to use less energy.

V. DISCUSSION

Your Committee applauds the goals of this legislation. However, we do not believe the Amendment and the Act are well calculated to accomplish these goals effectively. Your Committee regrets the careless drafting of the Amendment and the Act. Although your Committee regards the objections detailed above on this score to be well taken, these are not the basis for our conclusion.

For reasons which appear in the following discussion, your Committee believes that the lending of State funds to private business should be undertaken only when necessary to accomplish an objective clearly in the public interest which would not otherwise be achieved.

We question whether the benefit of lower rates to consumers derived from low interest rate loans is sufficient, in itself, to warrant the State putting itself into a position of potential conflict by becoming both a major creditor and the regulator of members of the utility industry. However, if necessary to achieve the full development of Oregon's under-utilized energy resources, this may be warranted for certain projects which would otherwise not be developed.

But if the State must lend its credit as the only feasible means of encouraging the private sector to tap new energy resources, it is of the utmost importance that the best possible projects be planned and that the State be free to award a project and to loan funds to the applicant most likely to cause that project to succeed. In our judgment, this legislation fails to meet these criteria for the following reasons:

A. The Amendment and the Act embrace all nonnuclear energy resources. This permits inclusion of projects (such as hydro and perhaps coal) which should not need the incentive of low interest rate loans. In our opinion, such projects would be better left for development by utilities on their own. But with the perpetual availability of low interest rate loans equal to one percent of the true cash value of taxable property in the State, we would expect to see the State directly involved in many if not most future nonnuclear energy projects. It is estimated by the State Treasurer's office that today approximately \$430 million could be raised from the sale of bonds within the one percent limitation. The fund so developed should be largely self-replenishing from repayments and will be

forever capable of increase as the cash value of taxable property increases. Just as low interest rate home loans to Oregon veterans are favored over other loans by qualified borrowers, if the Amendment is adopted, low interest rate energy project loans promise to become a favored way in Oregon to finance a substantial portion of all non-nuclear energy projects. The Department of Energy may well become the State's power broker.

Although the intention of the legislation may be to encourage experimental projects, an overriding objective of the Department of Energy could well become to loan funds for projects which pose the least risk of failure. These would no doubt be those which utilize traditional energy resources.

B. The development of a list of projects to be awarded within the next two years (as it is intended under the Act, according to its principal sponsor) poses a substantial risk of designating certain energy resources for development before sufficient research has been performed. The likely result will be the failure of some projects which might have succeeded if undertaken later—and the failure of other projects which research will show should never have been undertaken. Such failures will be paid for by utility customers or by the State's taxpayers or by both groups.

C. The Amendment defeats any objective of loaning funds to the best qualified applicants. In every loan for every project, the *constitution* will require that priority be given *today's utilities* in accordance with their share of *today's* energy market.²

In your Committee's judgment this is objectionable for a number of reasons:

1. The priority clause would appear to discourage the development of plans for innovative projects by anyone other than the two major private utilities. This is because if the Department of Energy were to designate such a project for development, the existing utilities—not the project's creator—must be given first rights to a low interest rate loan from the State to develop that project.

2. We question whether a utility awarded a project will necessarily have the high financial motivation necessary for success. Such a utility may be more committed to its existing energy resources than to an experimental project. But it may be willing to take on an experimental project anyway because the utility probably could include the capital expenditures and expenses associated with even an unsuccessful project in its rate base, upon which is calculated a utility's permissible rate of return and thus its rates to consumers. While inclusion of these costs could be disapproved by the Public Utilities Commissioner (who is appointed by the Governor), we believe it would be difficult for the Commissioner to disallow costs incurred in pursuit of a project designated by the Governor.

3. Your Committee also fears that this constitutional mandating of priorities for loans to finance experimental ventures, rather than permitting loans and projects to be awarded to the most qualified applicant, increases the possibility of the State lending its funds to a utility in precarious financial condition. The utility then may find itself unable to meet its loan commitments without increased income. This would place the State in the dilemma of either granting a rate increase to that utility in order to salvage the loan—or of the State's taxpayers paying the underlying bonds. While the Director of the Department of Energy could decline to loan because of an applicant's financial condition, if a utility in shaky financial shape applied for its share of a State energy project loan, political pressures—or a persuasive presentation of an application—might well cause the

²This means that PGE and PPL probably would forever be entitled to most of all available funds and energy produced. Appended to this report is a table from the Oregon Department of Energy showing each electric utility's 1976 share of the market supplied by Oregon's 36 electric utilities. At that time PGE had 38.80% and PPL had 32.87% of that market. This table is not a precise indication of each utility's entitlement under the Amendment because Oregon's energy demands also are met by direct sales to industries by the BPA and through use of natural gas, propane, liquid natural gas, solar heat and other energy resources not supplied by electric utilities. To the extent these needs are met by a "utility or agency" (such as a natural gas company), the supplier may share in allocations under the Amendment.

application to be approved. One can then imagine the scenario at a succeeding rate hearing when the favored utility with the help of the State Treasurer's office is pleading with the Public Utility Commissioner for a rate increase to save the utility from collapse and to save the State's loan from default.

This prospect is not farfetched. In September of this year, the Senior Investment Officer for the Oregon State Treasury, acting at the request of the utility and with the permission of the State Treasurer, testified at a rate hearing in support of a large private utility's position. The witness testified on cross-examination that the State held about \$6.75 million of the utility's bonds and was concerned with the marketability of these bonds if the utility's financial condition further deteriorated. Under the proposed Amendment, the level of State loans to Oregon's two largest electric utilities could well exceed \$100 million each.

4. Your Committee believes that the grandfather priority clause of the Amendment will inevitably discourage new entrants into the utility field. Your Committee has no opinion regarding the relative merits of public or private utilities or regarding the desirability of takeovers of private utility franchises by public utility districts or municipalities. But, we do not believe the State should erect barriers to such changes in the existing structure. The Amendment would erect such barriers because there is no provision for a utility's successor to succeed to its predecessor's priority position for State loans.

5. Finally, the growth of any small or future utility will surely be impeded by requiring State energy development loans to be awarded according to existing utilities' present market shares. This will be particularly true if the State becomes the prime mover of all new energy projects in Oregon—a likely prospect if the Amendment is adopted.

VI. CONCLUSION AND RECOMMENDATION

Your Committee concludes that State Measure No. 2 is not in the public interest and recommends unanimously that the City Club oppose its adoption at the November 8, 1977 special election.

Respectfully submitted,
Valerie D. Fisher
Ross C. Miller
Carleton Whitehead
Kenneth M. Winters
Robert C. Shoemaker, Jr., *Chairman*

Reviewed by the Research Board and the Board of Governors at a joint meeting on October 13, 1977. Approved for publication and distribution to the membership for consideration and action on November 4, 1977.

SOURCES OF INFORMATION

Your Committee en banc or by its various members interviewed the following persons and studied written information provided by most of those interviewed:

Clay Myers, State Treasurer

Senator Edward N. Fadeley, Chairman, Senate Committee on Environment and Energy

Fred Ronnau, County Counsel, Lincoln County, formerly legislative counsel to
Senate Committee on Environment and Energy

Walter Pollock, Supervisor of Energy Conservation and Resource Development,
State Department of Energy

Kelly Woods, Coordinator, Energy Facilities Siting Council

Donald Frisbee, President, Pacific Power & Light Co.

Douglas Heider, Portland General Electric Company

Lloyd K. Marbet, Forelows on Board

Kenneth W. Fitzgerald, President, Consumer Power League

John McCauley, Consumer Power League

W. C. Harris, Master, Oregon State Grange

Joyce Cohen, Energy Conservation Coalition

Larry Williams, Oregon Environmental Council

William VanDyke, Executive Director, OSPIRG

Ronald K. Ragen, Bond Counsel

ELECTRIC UTILITIES' SHARE OF KILOWATT HOUR SALES IN OREGON

	1976 kwh sales in Ore.	Percent of Total		1976 kwh Sales in Ore.	Percent of Total
PRIVATE			COOPERATIVES (continued)		
Calif.-Pacific Utilities	459,230,708	1.54	Hood River Electric	73,163,359	.244
Idaho Power Co.	373,960,590	1.25	Lane Electric	250,321,142	.836
P P & L Co.	9,839,161,000	32.87	Midstate Electric	100,192,692	.335
PGE	11,615,519,000	38.80	Salem Electric	192,290,704	.642
	22,287,871,298	74.46	Surprise Valley	19,575,857	.065
PUD			Umatilla Electric	513,876,615	1.717
Central Lincoln PUD	985,099,881	3.29	Wasco Electric	70,740,066	.236
Clatskanie PUD	512,432,565	1.71	Western Oregon	54,820,457	.183
Northern Wasco Co. PUD	118,931,033	.40		2,302,137,925	7.69
Tillamook PUD	303,261,103	1.01	MUNICIPALITIES		
	1,919,724,582	6.41	Ashland	105,783,235	.353
COOPERATIVES			Bandon	48,939,929	.163
Blachly-Lane	98,149,476	.328	Canby	63,989,610	.214
Central Electric	157,943,769	.528	Cascade Locks	25,586,490	.085
Clearwater Power Co.	1,332,055	.005	Drain	25,860,681	.086
Columbia Basin Electric	114,892,037	.384	Eugene	1,976,176,008	6.600
Columbia Power	30,284,354	.101	Forest Grove	128,879,434	.430
Columbia REA	4,992,400	.017	McMinnville	258,001,124	.861
Consumers Power, Inc.	249,534,738	.833	Milton-Freewater	98,064,320	.328
Coos-Curry Electric	229,642,495	.767	Monmouth	54,378,519	.182
Douglas Electric	112,692,998	.376	Springfield	640,223,206	2.138
Harney Electric	27,692,711	.093		3,425,882,556	11.44
				29,935,616,361	100.00

OREGON LEGISLATIVE ASSEMBLY--1977 Regular Session

Enrolled

Senate Joint Resolution 32

Sponsored by the COMMITTEE ON ENVIRONMENT AND ENERGY

Be It Resolved by the Legislative Assembly of the State of Oregon:

Paragraph 1. Section 3, Article XI-D of the Constitution of the State of Oregon, is repealed, and the following sections are adopted in lieu thereof:

SECTION 1. (1) The Legislative Assembly shall by law provide for the management, development and conservation of natural energy resources which are nonnuclear in nature. Such provisions shall enable development of hydroelectric, geothermal, solar and other natural energy resources available within the State of Oregon and for that purpose may authorize allocation of state funds to public or private utilities or agencies for the development or conservation thereof, except that priority shall be given in distribution of both the funds allocated and the energy developed to the public and private utilities or agencies operating within the State of Oregon in whole or in part in proportion to the share of Oregon's energy demands each such utility or agency supplies at the time of the enactment of this section.

(2) Notwithstanding the limitations contained in sections 7 and 8, Article XI of this Constitution, the credit of the state may be loaned and indebtedness incurred in an amount not to exceed, at any time, one percent of the true cash value of all taxable property in the state for the purpose of providing funds with which to carry out the provisions of this Article. This section constitutes a grant of power to act, not a limitation.

SECTION 2. Bonds issued pursuant to section 1 of this Article shall be the direct obligation of the State of Oregon and shall be in such form, run for such periods of time and bear such rates of interest as shall be provided by law. Such bonds may be refunded with bonds of like obligation.

Paragraph 2. The amendment proposed by this resolution shall be submitted to the people for their approval or rejection at the next regular general election or the next special election held throughout the state, whichever first occurs.

OREGON LEGISLATIVE ASSEMBLY—1977 Regular Session

Enrolled
Senate Bill 572

Sponsored by COMMITTEE ON ENVIRONMENT AND ENERGY

CHAPTER 732

AN ACT

Relating to energy; appropriating money; and prescribing an effective date.

Be It Enacted by the People of the State of Oregon:

SECTION 1. Sections 1 to 21 of this 1977 Act shall be known as the Oregon Energy Conservation and Production Act of 1977.

SECTION 2. As used in this 1977 Act, unless the context requires otherwise:

(1) "Alternative energy project" means a project for the conversion or development of an energy resource into a usable nonelectric form of energy.

(2) "Commercial lending institutions" means any bank, mortgage banking company, trust company, savings bank, savings and loan association, credit union, national banking association, federal savings and loan association or federal credit union maintaining an office in this state.

(3) "Director" means the Director of the Department of Energy.

(4) "Development project" means a project for:

(a) The development of an energy resource or an energy resource site for use in the generation of electric energy; or

(b) The generation, storage, transmission or distribution of electric energy from an energy resource.

(5) "Energy resource" means any nonnuclear natural resource, industrial waste, industrial process steam or heat or agricultural waste or product within this state, used or usable for the production of energy and includes, but is not limited to, a hydroelectric, pumped storage, wave, tidal, wind, solid waste, wood, straw or other fiber, coal, geothermal or solar resource.

(6) "Energy resource site" means a site within this state at which an energy resource is developed.

(7) "Person" has the same meaning as given in ORS 469.020.

(8) "Utility" means any individual, partnership, joint venture, corporation, private or public service company, political subdivision, municipal corporation, agency, people's utility district, or any other entity, public or private, engaged in, or authorized to engage in, generating, transmitting, or distributing electric energy to or for the public in this state.

SECTION 3. (1) With the advice of the Public Utility Commissioner of Oregon, the State Geologist, the Water Resources Director and the director, the Governor shall designate and may from time to time revise designations of cost effective energy resources that may be developed for the generation of electric energy by utilities and, subject to other applicable provisions of law governing such development projects, the specific development projects that may be undertaken by utilities pursuant to this 1977 Act.

(2) In designating development projects pursuant to subsection (1) of this section, the Governor shall endeavor to:

(a) Designate development projects which he determines, through a net energy analysis, will provide maximum conservation of energy resources with the maximum generation of electric energy.

(b) Designate a sufficient number of development projects as he determines are necessary to meet the needs of the state.

(c) Designate wherever possible small scale projects.

(d) Designate wherever possible projects within the service area where the electric energy will be used.

(e) Designate projects having the least adverse environmental impact.

(f) Designate wherever possible cogeneration development projects to be undertaken by utilities in cooperation with industry.

NOTE: Sections 3a and 4 were deleted by amendment. Subsequent sections were not renumbered.

SECTION 5. (1) With the advice of the director, the Governor shall designate and may from time to time revise designation of the energy resources that may be developed for the production of nonelectrical energy and, subject to other applicable provisions of law governing such projects, the specific alternative energy projects that may be undertaken pursuant to this 1977 Act.

(2) In designating alternative energy projects pursuant to subsection (1) of this section, the Governor shall endeavor to:

(a) Designate alternative energy projects which utilize geothermal resources for space heating.

(b) Designate energy resources which are not in general commercial use with emphasis on possible conversion of agricultural and other wastes into usable fuels.

(c) Follow the applicable directives in paragraphs (a) to (f) of subsection (2) of section 3 of this 1977 Act.

SECTION 6. (1) Any utility, individually or in conjunction with any person, may apply to the director for a loan of funds with which to undertake a development project designated by the Governor pursuant to section 3 of this 1977 Act. The utility shall make the application in such form and include such information as the director may require.

(2) Any person or utility may apply to the director for a loan of funds with which to undertake an alternative energy project designated by the Governor pursuant to section 5 of this 1977 Act. The applicant shall submit such information in such form as the director may require.

(3) Subject to ORS 757.495, if after reviewing the application and any other pertinent information, the director determines that a loan of funds pursuant to this 1977 Act would assist in the generation of electric energy, the saving of electric energy or the creation of nonelectric energy and would be in the public interest, the director shall approve a loan to the applicant from funds described in section 10 of this 1977 Act. A loan approved pursuant to this subsection shall be made according to the terms and subject to the conditions imposed by the director. However, such terms shall not permit a repayment period longer than the repayment period for the bonds from which the funds loaned are derived and such terms shall require an interest rate greater than

the effective rate for which the bonds are sold by an amount equal to the cost of administering the provisions of this 1977 Act or one-half of one percent, whichever is the greater.

(4) In maintaining a program for approving loans of funds to utilities for development and conservation projects, the director shall endeavor to loan to each utility a percentage of the total funds that become available for such projects under the program equal to the percentage of electric energy supplied by the utility to customers within this state on the date of such loan.

(5) In allocating funds for conservation, development and alternative energy projects, the director in cooperation with participating utilities or other applicants shall approve projects that provide the greatest long-term benefit to the people of the State of Oregon.

SECTION 7. In administering this 1977 Act the director:

(1) May adopt necessary rules as provided in ORS 183.310 to 183.500;

(2) May apply for, accept and disburse any private or federal assistance, gifts or grants, subject to the terms and conditions thereof, available for the performance of the functions of the Governor or director under this 1977 Act;

(3) Shall gather and provide the public with information concerning ways in which conservation of energy resources and energy can be achieved; and

(4) Shall insure through contract provision or rule that electric energy generated or sold pursuant to this 1977 Act will benefit local Oregon consumers.

SECTION 8. Funds which have not been applied for pursuant to section 6 of this 1977 Act and which remain available for application two years after the effective date of this 1977 Act, may be used by the director as described in section 9 of this 1977 Act, if the Governor determines state action is necessary to meet the energy needs of the state.

SECTION 9. (1) Subject to applicable provisions of law, the director shall perform such of the following functions as the Governor directs pursuant to section 8 of this 1977 Act:

(a) Acquire, by purchase, lease or gift, designated electrical energy resource sites within the state.

(b) Develop, separately or in conjunction with any utility or the United States, designated electrical energy resources within the state and acquire, construct, maintain or operate electric energy generation plants, electric energy storage facilities and transmission lines in connection therewith.

(2) The director shall fix rates and charges for the sale or disposal of electric energy sold pursuant to this section and shall, prior to any other disposal, offer for sale to each utility a percentage of the total of such electric energy that is equal to the percentage of electric energy supplied by the utility to customers within this state on the date of the sale.

SECTION 10. There is established the Energy Conservation and Production Fund. All moneys from the sale of bonds under section 11 of this 1977 Act and all moneys received by the director pursuant to section 7 of this 1977 Act shall be paid to the credit of the Energy Conservation and Production Fund. All moneys in the fund are appropriated continuously to the director for the purpose of carrying out the provisions of sections 6 and 8 of this 1977 Act.

ARTICLE XI-D STATE POWER DEVELOPMENT

Section 1. State's rights, title and interest to water and water-power sites to be held in perpetuity. The rights, title and interest in and to all water for the development of water power and to water power sites, which the state of Oregon now owns or may acquire, shall be held by it in perpetuity.
(Created through initiative petition filed July 7, 1932, adopted by people Nov. 8, 1932)

Section 2. State's powers enumerated. The state of Oregon is authorized and empowered:

1. To control and/or develop the water power within the state;

2. To lease water and water power sites for the development of water power;

3. To control, use, transmit, distribute, sell and/or dispose of electric energy;

4. To develop, separately or in conjunction with the United States, or in conjunction with the political subdivisions of this state, any water power within the state, and to acquire, construct, maintain and/or operate hydroelectric power plants, transmission and distribution lines;

5. To develop, separately or in conjunction with the United States, with any state or states, or political subdivisions thereof, or with any political subdivision of this state, any water power in any interstate stream and to acquire, construct, maintain and/or operate hydroelectric power plants, transmission and distribution lines;

6. To contract with the United States, with any state or states, or political subdivisions thereof, or with any political subdivision of this state, for the

purchase or acquisition of water, water power and/or electric energy for use, transmission, distribution, sale and/or disposal of water power and/or electric energy;

8. To loan the credit of the state, and to incur indebtedness to an amount not exceeding one and one-half percent of the true cash value of all the property in the state taxed on an ad valorem basis, for the purpose of providing funds with which to carry out the provisions of this article, notwithstanding any limitations elsewhere contained in this constitution;

9. To do any and all things necessary or convenient to carry out the provisions of this article.
(Created through initiative petition filed July 7, 1932, adopted by people Nov. 8, 1932; Amendment proposed by S.J.R. No. 6, 1961, and adopted by people Nov. 6, 1962)

Section 3. Legislation to effectuate article. The legislative assembly shall, and the people may, provide any legislation that may be necessary in addition to existing laws, to carry out the provisions of this article; Provided, that any board or commission created, or empowered to administer the laws enacted to carry out the purposes of this article shall consist of three members and be elected without party affiliation or designation.
(Created through initiative petition filed July 7, 1932, adopted by people Nov. 8, 1932)

Section 4. Construction of article. Nothing in this article shall be construed to affect in any way the laws, and the administration thereof, now existing or hereafter enacted, relating to the appropriation and use of water for beneficial purposes, other than for the development of water power.
(Created through initiative petition filed July 7, 1932, adopted by people Nov. 8, 1932)

**STATEMENT OF COMMITTEE FOR ORAL REPORT ON CHARTER AMENDMENT
AUTHORIZING 40-YEAR POWER CONTRACTS (MUNICIPAL MEASURE NO. 51)**

DESCRIPTION OF MEASURE

Citizens of Portland will be asked to vote on Measure No. 51 at a special election on November 8, 1977. This measure, if passed, would amend the City Charter to authorize the City to enter into contracts up to forty years for the transmission, sale or exchange of electric power generated by hydroelectric power generating facilities owned by the City and for the operation and maintenance of those facilities. Under present Charter limitations, contract terms may not exceed five years. Although the measure does not address itself as such, the Amendment relates to a proposal for construction of hydroelectric power facilities at the City of Portland Bull Run dam sites storing the City's water supply. The City of Portland owns no other property reasonably capable of supporting hydroelectric power generating facilities.

If this measure is approved, the voters of the City will have no other opportunity to approve the project or its financing.

Approximately a year ago, the City engaged the consulting firm of CH2M/Hill to prepare a feasibility report for a hydroelectric project at the City's Bull Run dam sites. The report was published September 23, 1977 and basically concluded that such a project was feasible. The project encompasses installation of turbines at both dam sites and a supplementing fabric dam at dam site No. 2. Each dam was originally designed and built to provide for the future addition of hydroelectric power facilities. As projected under the scope of this project, the two dams would produce an average of 110 megawatts annually. The City of Portland, as a user, consumes approximately 200 megawatts annually. The 110 megawatts equates with the consumption of energy needed to operate the City's street lighting system.

Principal power production at the dam sites would occur during the winter months when the need for power in the Northwest is greater than at other times of the year.

Consideration of allocation of water for power production purposes could conflict with consideration of water quality and supply for consumption purposes.

The power would be transported through transmission lines to be constructed on a nine mile stretch to the Portland General Electric Company (PGE) substation on the Bull Run River. From that point, the power would be sold to or exchanged with PGE or, upon payment of transport costs, transported on PGE lines to other potential utility customers of the City.

The CH2M/Hill feasibility report projects a cost, exclusive of fabric dam construction, of \$31 million for the total project plus \$250,000 per month for each month that project start-up is delayed so that completion is extended beyond the Fall of 1981. It is anticipated that Federal Power Commission approval of the project, for which application has already been made, would be received, if at all, in about a year. The City Council has not yet determined whether to wait until such approval is received before incurring approximately \$2.1 million in project start-up costs.

Financing of construction of the project is anticipated through sale of revenue bonds. Procurement of long-term power contracts is considered necessary in order to render the revenue bonds marketable. Reasonable people may differ on the necessity of entering into long-term power contracts in order to render the revenue bonds marketable. Such determination would depend on a person's view of projected power prices in the 1980's through the 2020's. There may also be alternate sources of attractive financing including potential subsidies from federal and state agencies.

The City of Portland's water supply at Bull Run is a unique and treasured asset. Water quality presently meets EPA standards without the necessity of filtration. It is estimated that installation of a filtration plant would cost approximately \$50 million at today's prices.

Turbidity caused during construction of the hydroelectric power generating facilities would be a temporary problem. Any degradation of water could probably be solved. All

parties agree that there would be some turbidity caused by power generating operations. Increased mineral turbidity would be caused through wave action lapping at the shore level as water is raised and lowered at the dam sites attributable to power production. The shores at present water levels are reasonably well washed. The construction of fabric dams, with resultant higher water levels, creates new washing action which could substantially increase turbidity. Biological turbidity could be created in the form of increased algae through higher water temperature and its combination with increased phosphorous generated by wave action at the shore. While numerous "guesstimates" have been made with respect to turbidity level, scientific investigation for turbidity has been reserved for the second phase of the project schedule.

In any event, the project cannot be implemented without modification to the Bull Run Trespass Act of 1904, which as presently interpreted, forbids any entry to the Bull Run watershed for purposes other than maintaining the water supply. Concern has been expressed that modification to the Trespass Act may give rise to other modifications permitting activities which might adversely affect water quality.

CONCLUSIONS

1. The project proposal is of such importance that the specific project itself ought to be the subject of a ballot measure when there is enough information developed and disseminated to permit the public to cast an intelligent vote.

2. The City's facilities at Bull Run are the sole source of Portland's water. Any other use of the Bull Run watershed, including power generation, is secondary and should only be undertaken without degradation to water supply or water quality and only upon complete assurance that both supply and quality will be protected. Safeguards should be provided whereby the quantity and quality of water will be protected when conflicting demands occur for power generation to meet financial needs.

3. Assuming no filtration plant is necessitated because of power generation activities, this project appears to be financially and economically feasible. The project would still appear to be feasible if commencement of construction is delayed until after the 1978 elections.

4. Concern has been expressed by some that the required modification of the Trespass Act to accommodate power generation could create additional modifications for other activities which could be deleterious to water quality. Your Committee has not evaluated the effect of such action.

5. The City should go forward with water quality investigation, preferably by an independent firm unrelated to the firm designing the facilities.

RECOMMENDATION

Your Committee recommends a "No" vote on Measure No. 51 at the November 8, 1977 special election.

Respectfully submitted,
R. Paul Aragon
John S. Crawford
Ann Hoffstetter
Richard Lakeman
James A. Larpenteur, Jr., *Chairman*